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**St. Helena Parish Waterworks
District No. 2
Parish of St. Helena
Greensburg, Louisiana**

**Annual Financial Statements
As of and for the Years Ended
December 31, 2005 and 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/2/06

ANTHONY B. BAGLIO, CPA
Certified Public Accountants
A Professional Accounting Corporation

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena**

**Annual Financial Statements
December 31, 2005 and 2004
With Supplemental Information Schedules**

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Anthony B Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana

Independent Auditor's Report

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana 70441

I have audited the accompanying financial statements of the business-type activities of St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the year ended December 31, 2005 and 2004, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the St. Helena Parish Waterworks District No. 2's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the St. Helena Parish Waterworks District No. 2 as of December 31, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 19, 2006, on my consideration of the St. Helena Parish Waterworks District No. 2's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana 70441

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and pages 36 and 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the St Helena Parish Waterworks District No. 2. The supplemental information schedules on Pages 36-41 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the St. Helena Parish Waterworks District No. 2. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements an, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Anthony B Baglio, CPA
A Professional Accounting Corporation
June 19, 2006

Management's Discussion and Analysis

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Introduction

St. Helena Parish Waterworks District No. 2 is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$3,796,024 at December 31, 2005, and exceeded liabilities in the amount of \$2,395,195 (i.e., net assets). Of the total net assets, \$193,028 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service. Unrestricted net assets decreased by \$27,139 from the prior fiscal year.
- User fee revenues (water sales) for the fiscal year ending December 31, 2005 increased to \$290,562 representing an increase of approximately 5.4% from the total user fees of \$275,749 for the fiscal year ending December 31, 2004. One of the reasons for the increase in total water sales was that the total customers increased by 45 from the prior fiscal year, totaling 1,288 at December 31, 2005.
- The District's operating expenses increased by \$18,541 to \$327,687 as compared to \$309,146 for the prior fiscal year. The increase is due primarily to increases in contract management, salaries, utilities, cost of chemicals, and meter installations as customers were added.
- Total indebtedness for water revenue bonds decreased by \$33,945 from \$1,329,529 at December 31, 2004, to \$1,295,584 at December 31, 2005. The decrease is due primarily to the payment of principal on outstanding bonds.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of St. Helena Parish Waterworks District No. 2's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether St. Helena Parish Waterworks District No. 2 is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Condensed Balance Sheet

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Current and Other Assets	\$ 679,206	\$ 675,049	\$ 4,157	0.62%
Capital Assets	<u>3,116,818</u>	<u>3,185,427</u>	<u>(68,609)</u>	-2.15%
Total Assets	<u>\$ 3,796,024</u>	<u>\$ 3,860,476</u>	<u>\$ (64,452)</u>	-1.67%
Long-Term Debt Outstanding	\$ 1,295,584	\$ 1,329,529	\$ (33,945)	-2.55%
Other Liabilities	<u>105,245</u>	<u>97,770</u>	<u>7,475</u>	7.65%
Total Liabilities	<u>1,400,829</u>	<u>1,427,299</u>	<u>(26,470)</u>	-1.85%
Invested in Capital Assets, Net of Related Debt	1,821,234	1,855,898	(34,664)	-1.87%
Restricted for Capital Activity and Debt Service	380,933	357,112	23,821	6.67%
Unrestricted	<u>193,028</u>	<u>220,167</u>	<u>(27,139)</u>	-12.33%
Total Net Assets	<u>2,395,195</u>	<u>2,433,177</u>	<u>(37,982)</u>	-1.56%
Total Liabilities and Net Assets	<u>\$ 3,796,024</u>	<u>\$ 3,860,476</u>	<u>\$ (64,452)</u>	-1.67%

The Current and Other Assets category remained fairly constant, with the Capital Assets category decreasing by \$68,609, reflecting \$44,818 in total purchases for vehicles and water system improvements, less the depreciation recorded on capital assets of \$116,293, less adjustments for smaller purchases deleted from the capital asset schedule.

The decrease in Long-Term Debt Outstanding of \$33,945 is due to payment of principal on existing water revenue bonds for the District. A more detailed analysis of the changes in long-term debt is included in a following section entitled "Long-Term Debt Activity".

Total Net Assets (total assets less total liabilities) decreased by \$37,982 for the fiscal year ending December 31, 2005. The decrease of \$34,664 in the Invested in Capital Assets, Net of Related Debt category is due primarily to the decreases to Capital Assets noted above and the reduction in Long-Term Debt Outstanding. The Unrestricted Net Assets decrease of \$27,139 reflects the continuing negative change in net assets noted below in the analysis of the "Condensed Statement of Revenues, Expenses, and Change in Net Assets".

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31, 2005	Year Ended December 31, 2004	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 345,602	\$ 320,858	\$ 24,744	7.71%
Nonoperating Revenues	6,485	1,082	5,403	499.35%
Total Revenues	<u>352,087</u>	<u>321,940</u>	<u>30,147</u>	9.36%
Expenses:				
Depreciation Expense	116,293	120,460	4,167	3.46%
Other Operating Expense	211,394	188,686	(22,708)	-12.03%
Nonoperating Expense	66,382	67,589	1,207	1.79%
Total Expenses	<u>394,069</u>	<u>376,735</u>	<u>(17,334)</u>	-4.60%
Income (Loss) Before Contributions	(41,982)	(54,795)	12,813	
Capital Contributions	4,000	-	4,000	
Changes in Net Assets	<u>(37,982)</u>	<u>(54,795)</u>	<u>16,813</u>	
Beginning Net Assets	2,433,177	2,487,972	(54,795)	
Ending Net Assets	<u>\$ 2,395,195</u>	<u>\$ 2,433,177</u>	<u>\$ (37,982)</u>	

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how St. Helena Water District is being conservatively managed. Total Operating Revenues (including water sales and revenues related to providing water and related services to customers) showed a steady increase, increasing by \$24,744, (7.71%). Nonoperating Revenues increased by \$5,403 due primarily to a \$5,000 bid bond forfeiture. Total expenses increased by \$17,334 from the prior fiscal year. Depreciation Expense decreased by \$4,167 from the prior fiscal year. For the category of expense most controllable by the District, Other Operating Expense, there was a \$22,708 increase from the prior year. Other Operating Expense includes expenditures for operations, other than for Depreciation Expense. The increase is due primarily to increases in contract management of \$8,586, \$7,526 in salaries, \$3,041 for meter installations, \$3,157 for utilities, and \$2,443 for cost of chemicals, less decreases in several categories including repairs and maintenance and depreciation expense.

The District showed a negative Change in Net Assets of \$37,982 for the fiscal year ended December 31, 2005, as Total Expenses exceeded Total Revenues plus a grant of \$5,000. The continuing negative Change in Net Assets also contributes to the negative change of \$27,139 in Unrestricted Net Assets noted in the analysis above for the "Condensed Balance Sheet".

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Budgetary Highlights

St. Helena Parish Waterworks District No. 2 adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented in "Schedule 1 - Budgetary Comparison Schedule" on pages 36 to 37 as supplementary information, following the footnotes to the financial statements. Significant budget variances are noted below:

Actual operating revenues were higher than anticipated by \$12,488 with the increase due to actual water sales over budgeted water sales by \$9,738 and additional fees for contract services to other water systems of \$4,125, less a decrease in miscellaneous revenues. There was no significant variation in actual to budgeted operating expenses. Interest expense was \$4,073 less than budgeted, and the District received a grant (listed as a contribution) of \$4,000 from the State of Louisiana, Governor's Office of Rural Development.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2005	December 31, 2004	Increase (Decrease)
Customers:			
Residential	1,243	1,199	44
Commercial	45	44	1
Total	1,288	1,243	45

The above table shows an increase of 45 customers.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Other Significant Trends and Account Changes (Continued)

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2005, and 2004.

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase (Decrease)
0 - 30 Days Past Due	\$ 25,773	\$ 19,506	\$ 6,267
31 - 60 Days Past Due	8,057	6,532	1,525
61 - 90 Days Past Due	675	2,079	(1,404)
Over 90 Days Past Due	-	777	(777)
Total Accounts Receivable for Water (Before Allowance for Bad Debts)	<u>\$ 34,505</u>	<u>\$ 28,894</u>	<u>\$ 5,611</u>

Total receivables for the water district increased by \$5,611 from the period of December 31, 2004, to December 31, 2005, but category totals over 60 days past due decreased.

Capital Assets

At the end of the fiscal year ending December 31, 2005, St. Helena Parish Waterworks District No. 2 had \$3,116,818 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Land	\$ 19,611	\$ 19,611	\$ -	0.00%
Buildings	25,211	25,460	(249)	-0.98%
Vehicles	50,135	12,705	37,430	294.61%
Equipment	6,792	7,222	(430)	-5.95%
Furniture and Fixtures	2,297	2,458	(161)	-6.55%
Water Distribution System	4,464,012	4,459,239	4,773	0.11%
Construction in Progress	14,159	11,466	2,693	23.49%
Subtotal	4,582,217	4,538,161	44,056	
Less: Accumulated Depreciation	(1,465,399)	(1,352,734)	(112,665)	8.33%
Net Capital Assets	<u>\$ 3,116,818</u>	<u>\$ 3,185,427</u>	<u>\$ (68,609)</u>	-2.15%

The major purchases were for vehicles used for system management. Some categories decreased because of the deletion of small purchases below the capital asset threshold of \$500, and there were minor purchases for system improvements and expenses related to construction of the new office building.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Long-Term Debt Activity

The primary source of long-term financing for St. Helena Parish Waterworks District No. 2 water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), although one of the revenue bonds was refunded by a private lending institution as Revenue Refunding Bonds, Series 2002. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2005, range from 4.5% to 6.375%, with initial payment terms for bonds generally at 40 years.

Bonds financed for St. Helena Parish Waterworks District No. 2 do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. One variation of the Debt to Assets Ratio, Total Debt to Net Assets, is presented below. As indicated, the ratio is only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the water District.

	December 31, 2005	December 31, 2004
Total Long-Term Debt	\$ 1,295,584	\$ 1,329,529
Total Net Assets	2,395,195	2,433,177
Total Long-Term Debt to Net Assets Ratio	0.54	0.55

Future Economic Plans

The St. Helena Water District's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. To improve the delivery of services to customers, the District had been planning the construction of a new office building and in December 2005 awarded a contract with total construction costs estimated at \$177,003.

Financial Statements

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement A

Balance Sheet
December 31, 2005 and 2004

Assets	<u>2005</u>	<u>Restated 2004</u>
Current Assets:		
Cash - Operating	\$ 80,522	\$ 68,630
Cash - Capital Improvements	79,106	117,191
Accounts Receivable (Net)	33,220	27,609
Accrued Billings	3,295	5,578
Other Receivable	4,125	2,437
Inventory Supplies	6,654	6,672
Prepaid Insurance	1,595	1,581
Total Current Assets	<u>208,517</u>	<u>229,698</u>
Restricted Assets:		
Cash - RUS Bond Sinking Fund	238,056	222,414
Cash - RUS Depreciation & Contingency Fund	85,649	80,129
Cash - RUS Bond Reserve Fund	109,541	102,191
Cash - Customer's Deposits	31,296	31,445
Cash - Phase IV Construction	1,650	4,309
Total Restricted Assets	<u>466,192</u>	<u>440,488</u>
Capital Assets:		
Land	19,611	19,611
Buildings	25,211	25,460
Furniture and Fixtures	2,297	2,458
Vehicles	50,135	12,705
Equipment	6,792	7,222
Chemical Storage Tank	9,356	9,356
Water System	1,122,898	1,117,987
Water Well - RUS NE Expansion	145,424	145,424
Water Tank - RUS NE Expansion	161,715	161,715
Water Lines - RUS NE Expansion	433,552	433,552
Phase III Expansion	1,349,122	1,349,122
Phase IV Water Distribution System	1,241,945	1,242,083
Phase IV CIP	14,159	11,466
Total Capital Assets	<u>4,582,217</u>	<u>4,538,161</u>
Less: Accumulated Depreciation	<u>(1,465,399)</u>	<u>(1,352,734)</u>
Net Capital Assets	<u>3,116,818</u>	<u>3,185,427</u>
Other Assets:		
Bond Issue Cost	4,497	4,863
Total Other Assets	<u>4,497</u>	<u>4,863</u>
Total Assets	<u>3,796,024</u>	<u>3,860,476</u>

(Continued)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement A

Balance Sheet
December 31, 2005 and 2004

Liabilities	<u>2005</u>	<u>Restated 2004</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 7,499	\$ 4,420
Accrued Auditing & Accounting Fees	10,325	9,675
Sales Tax Payable	91	65
Payroll Taxes Payable	2,071	234
Total Current Liabilities (Payable From Current Assets)	<u>19,986</u>	<u>14,394</u>
Current Liabilities (Payable From Restricted Assets):		
Current Bonds Payable	35,523	33,274
Accrued RUS Bond Interest	29,993	31,257
Customer Deposits Payable	55,266	52,119
Total Current Liabilities (Payable From Restricted Assets)	<u>120,782</u>	<u>116,650</u>
Long-Term Liabilities:		
1987 Water Revenue Bonds	161,616	164,757
1994 Water Revenue Bonds	317,951	323,368
1999 Water Revenue Bonds	186,886	189,229
2000 Water Revenue Bonds	261,608	264,901
2001 Water Revenue Refunding Bonds	332,000	354,000
Total Long-Term Liabilities	<u>1,260,061</u>	<u>1,296,255</u>
Total Liabilities	<u>1,400,829</u>	<u>1,427,299</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,821,234	1,855,898
Restricted for Capital Activity and Debt Service	380,933	357,112
Unrestricted	193,028	220,167
Total Net Assets	<u>\$ 2,395,195</u>	<u>\$ 2,433,177</u>

(Concluded)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004

Operating Revenues	2005	2004
Water Sales	\$ 290,562	\$ 275,749
Connection Fees	20,112	19,333
DHH Fees	404	393
Late Charges	10,052	9,918
Interest Income	14,751	10,863
Contract Services	4,125	-
FEMA Revenues	5,476	-
Other	120	4,602
Total Operating Revenues	345,602	320,858
Operating Expenses		
Salaries	12,874	5,348
Payroll Taxes	1,131	545
Per Diem - Board Members	2,450	2,650
Accounting	11,916	16,773
Auditing	5,500	-
Advertising	1,714	1,337
Amortization of Bond Issue Costs	366	418
Bad Debts	449	2,586
Bank Charges	81	135
Billing Costs	8,599	8,487
Chemicals	7,571	5,128
Contract Management & Operations	87,446	78,860
Depreciation	116,293	120,460
Diesel Fuel	1,536	331
Dues	200	400
Insurance	6,975	7,308
Line Relocation	-	2,521
Meter Installations	9,758	6,717
Miscellaneous Expense	948	-
Office Supplies & Expense	2,106	1,608
Postage	3,442	3,897
Repairs and Maintenance	9,840	12,527
Supplies - Water System	10,201	9,022
Travel	293	67

(Continued)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Telephone	2,148	1,950
Testing Water	-	640
Utilities	21,311	18,154
Vehicle Expense	<u>2,539</u>	<u>1,277</u>
Total Operating Expenses	<u>327,687</u>	<u>309,146</u>
Operating Income (Loss)	<u>17,915</u>	<u>11,712</u>
Nonoperating Revenues (Expenses)		
Miscellaneous Income	5,000	-
Recovery of Bad Debts	1,485	1,082
Interest Expense	<u>(66,382)</u>	<u>(67,589)</u>
Total Nonoperating Revenues (Expenses)	<u>(59,897)</u>	<u>(66,507)</u>
Income (Loss) Before Contributions	(41,982)	(54,795)
Capital Contributions	<u>4,000</u>	<u>-</u>
Change in Net Assets	<u>(37,982)</u>	<u>(54,795)</u>
Net Assets, Beginning of Year	<u>2,433,177</u>	<u>2,487,972</u>
Net Assets, End of Year	<u>\$ 2,395,195</u>	<u>\$ 2,433,177</u>

(Concluded)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement C

Statement of Cash Flows
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 327,523	\$ 308,024
Received (Paid) for Meter Deposit Fees	3,147	1,540
Received (Paid) to Other Governments	(1,688)	-
Paid for Operations	(191,427)	(176,810)
Paid to Employees	(14,006)	(8,417)
Net Cash Flows From Operating Activities	<u>123,549</u>	<u>124,337</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	1,485	1,082
Miscellaneous Income	5,000	-
Net Cash Flows From Noncapital Financing Activities	<u>6,485</u>	<u>1,082</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	4,000	-
Paid for Capital Acquisitions	(47,683)	(18,757)
Principal Payments - Long-Term Debt	(33,945)	(13,656)
Interest Payments - Long-Term Debt	(67,646)	(67,477)
Net Cash Flows Used Capital and Related Financing Activities	<u>(145,274)</u>	<u>(99,890)</u>
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	14,751	10,863
Net Cash Flows From Investment Activities	<u>14,751</u>	<u>10,863</u>
Net Change in Cash and Cash Equivalents	(489)	36,392
Cash and Cash Equivalents - Beginning of Year	626,309	589,917
Cash and Cash Equivalents - End of Year	<u>\$ 625,820</u>	<u>\$ 626,309</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash	159,628	185,821
Restricted Cash	466,192	440,488
Cash and Cash Equivalents - End of Year	<u>\$ 625,820</u>	<u>\$ 626,309</u>

(Continued)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

Statement C

Statement of Cash Flows
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income (Loss)	\$ 17,915	\$ 1,648
Interest Income (Included in Investing Activities)	(14,751)	
 Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	116,293	119,661
Bond Amortization Expense	366	417
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	(3,328)	466
Decrease (Increase) in Other Receivable	(1,688)	(2,437)
Decrease (Increase) in Inventory	17	-
Decrease (Increase) in Prepaid Insurance	(14)	227
Increase (Decrease) in Accounts Payable	3,079	1,923
Increase (Decrease) in Accrued Auditing and Accounting Fees	650	775
Increase (Decrease) in Sales Tax Payable	26	(9)
Increase (Decrease) in Payroll Taxes Payable	1,837	126
Increase (Decrease) in Customer Deposits Payable	3,147	1,540
Net Cash Flows From Operating Activities	<u>\$ 123,549</u>	<u>\$ 124,337</u>

(Concluded)

See accompanying notes.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

Introduction

St. Helena Parish Waterworks District No. 2 was established July, 1983, by an ordinance of the St. Helena Parish Police Jury, Greensburg, Louisiana. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the St. Helena Parish Police Jury. The District currently serves 1,288 customers as of December 31, 2005, and operates in an area extending from Livingston Parish on the southern boundary and extending northward through Ward 5, Ward 3 north of Montpelier (bounded on the south by Ward 4), north to most of Ward 2, and parts of Ward 1 and 6.

St. Helena Parish Waterworks District No. 2 was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the St. Helena Parish Waterworks District No. 2 is considered a component unit of the St. Helena Parish Police Jury.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of St. Helena Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Inventories

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

D. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

E. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

F. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	5 - 7 years
Water System	20 - 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

G. Compensated Absences

Employees earn four (4) hours of annual leave per month of work. Sick leave is earned at eight (8) hours per month of work. Unused annual and sick leave is paid upon termination. This policy began December 1, 2005 with the employment of two (2) full-time employees.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current-year expenditure when leave is actually taken.

H. Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.

- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

J. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

2. Cash and Cash Equivalents

At December 31, 2005, the District had cash and cash equivalents (book balances) totaling as follows:

	<u>2005</u>	<u>2004</u>
Demand Deposit Accounts	\$ 455,820	\$ 456,309
Time and Savings Accounts	170,000	170,000
Total Cash and Cash Equivalents	<u>\$ 625,820</u>	<u>\$ 626,309</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2005, the District had \$637,766 in collected bank balances deposited in two separate banks. For the first bank, collected bank balances at December 31, 2005, totaled \$492,579, and consisted of \$332,579 in demand deposit accounts, and \$160,000 in time and savings accounts. The demand deposit accounts, totaling \$332,579 were secured by \$100,000 of federal deposit insurance and \$232,579 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$160,000, were secured by \$100,000 of federal deposit insurance, and \$60,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In the second bank, the District had collected bank balances totaling \$145,187, and consisting of \$135,187 in demand deposit accounts and \$10,000 in time and savings accounts. The demand deposit accounts, totaling \$135,187, were secured by \$100,000 of federal deposit insurance, and \$35,187 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$10,000, were secured by \$10,000 of federal deposit insurance.

At December 31, 2004, the District had \$637,532 in collected bank balances deposited in two (2) separate banks. For the first bank, collected bank balances at December 31, 2004, totaled \$487,978, and consisted of \$327,978 in demand deposit accounts, and \$160,000 in time and savings accounts. The demand deposit accounts, totaling \$327,978 were secured by \$100,000 of federal deposit insurance and \$204,021 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$160,000, were secured by \$100,000 of federal deposit insurance, and \$60,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In the second bank, the District had collected bank balances totaling \$149,554, and consisting of \$139,554 demand deposit accounts and \$10,000 in time and savings accounts. The demand deposit accounts, totaling \$139,554 were secured by \$100,000 of federal deposit insurance. The time and savings accounts, totaling \$10,000 were secured by \$10,000 of federal deposit insurance and \$39,554 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

3. Receivables

The following is a summary of receivables at December 31, 2005, and 2004:

	2005	\$2,004
Current	\$ 25,773	\$ 19,506
31 - 60 Past Due	8,057	6,532
61 - 90 Past Due	675	2,079
Over 90 Past Due	-	777
Total	34,505	28,894
Less: Allowance for Uncollectible Accounts	(1,285)	(1,285)
Net Accounts Receivable	<u>\$ 33,220</u>	<u>\$ 27,609</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 2005, the District recorded bad debt expense of \$449, as compared to bad debt expense of \$2,586 for the fiscal year ending December 31, 2004.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2005, accrued billings amounts were \$3,295.

The District also recorded at December 31, 2005, a total of \$4,125 due for contract services provided to other water systems.

4. Restricted Assets

Restricted assets were applicable to the following at December 31, 2005, and 2004:

	December 31, 2005	December 31, 2004
Cash-Bond Sinking Fund	\$ 238,056	\$ 222,414
Cash-RUS Depreciation and Contingency	85,649	80,129
Cash-RUS Bond Reserve	109,541	102,191
Cash-Customer Deposits	31,296	31,445
Cash-Phase IV Construction	1,650	4,309
Total Restricted Assets	<u>\$ 466,192</u>	<u>\$ 440,488</u>

The amounts for Phase IV Construction consist of funds remaining from the United States Department of Agriculture, Rural Utilities Service (RUS) Phase IV Project.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2005 is as follows:

	Balance December 31, 2004	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2005
Land	\$ 19,611	\$ -	\$ -	\$ 19,611
Building	25,460	-	(249)	25,211
Vehicles	12,705	37,725	(295)	50,135
Equipment	7,222	-	(430)	6,792
Furniture and Fixtures	2,458	1,599	(1,760)	2,297
Chemical Storage Tank	9,356	-	-	9,356
Water Distribution System:				
Original RUS Syst-Water System	1,117,987	5,494	(583)	1,122,898
RUS N/E Expansion-Water Well	145,424	-	-	145,424
RUS N/E Expansion-Water Tank	161,715	-	-	161,715
RUS N/E Expansion-Water Lines	433,552	-	-	433,552
Phase III Expansion	1,349,122	-	-	1,349,122
Phase IV Water System	1,242,083	-	(138)	1,241,945
Capital Assets in Service	4,526,695	44,818	(3,455)	4,568,058
Construction in Progress	11,466	2,693	-	14,159
Total Capital Assets	4,538,161	47,511	(3,455)	4,582,217
Less: Accumulated Depreciation	(1,352,734)	(116,293)	3,628	(1,465,399)
Net Capital Assets	\$ 3,185,427	\$ (68,782)	\$ 173	\$ 3,116,818

Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 20 to 40 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2005, totaled \$116,293.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

A summary of changes in capital assets during the fiscal year ending December 31, 2004 is as follows:

	Balance December 31, 2003	Additions and Reclassifications	Deletions and Reclassifications	Restated Balance December 31, 2004
Land	\$ 12,350	\$ 7,261	\$ -	\$ 19,611
Building	24,005	1,455	-	25,460
Vehicles	12,705	-	-	12,705
Equipment	7,222	-	-	7,222
Furniture and Fixtures	1,591	867	-	2,458
Chemical Storage Tank	9,356	-	-	9,356
Water Distribution System:				
Original RUS Syst-Water System	1,117,987	-	-	1,117,987
RUS N/E Expansion-Water Well	145,424	-	-	145,424
RUS N/E Expansion-Water Tank	161,715	-	-	161,715
RUS N/E Expansion-Water Lines	433,552	-	-	433,552
Phase III Expansion	1,349,122	-	-	1,349,122
Phase IV Water System	1,242,083	-	-	1,242,083
Capital Assets in Services	4,517,112	9,583	-	4,526,695
Construction in Progress	2,292	9,174	-	11,466
Total Capital Assets	4,519,404	18,757	-	4,538,161
Less: Accumulated Depreciation	(1,232,274)	(120,460)	-	(1,352,734)
Net Capital Assets	\$ 3,287,130	\$ (101,703)	\$ -	\$ 3,185,427

Equipment, furniture, and fixtures are depreciated using lives of 5 to 10 years, and the water distribution system uses a useful life of 20 to 40 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2004, totaled \$120,460.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

6. Long-term Debt

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2005:

Description	Long-Term Liabilities Beginning of Year	Additions	Deletions	Long-Term Liabilities End of Year	Due Within One Year
1987 Water Revenue Bonds	\$ 167,621	\$ -	\$ (2,948)	\$ 164,673	\$ 3,058
1994 Water Revenue Bonds	327,397	-	(4,616)	322,781	4,831
1999 Water Revenue Bonds	191,462	-	(2,233)	189,229	2,342
2000 Water Revenue Bonds	268,049	-	(3,148)	264,901	3,292
2001 Water Revenue Bonds	375,000	-	(21,000)	354,000	22,000
Total	<u>\$ 1,329,529</u>	<u>\$ -</u>	<u>\$ (33,945)</u>	<u>\$ 1,295,584</u>	<u>\$ 35,523</u>

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2004:

Description	Long-Term Liabilities Beginning of Year	Additions	Deletions	Long-Term Liabilities End of Year	Due Within One Year
1987 Water Revenue Bonds	\$ 170,922	\$ -	\$ (3,301)	\$ 167,621	\$ 2,864
1994 Water Revenue Bonds	332,612	-	(5,215)	327,397	4,028
1999 Water Revenue Bonds	193,593	-	(2,131)	191,462	2,234
2000 Water Revenue Bonds	271,058	-	(3,009)	268,049	3,148
2001 Water Revenue Bonds	375,000	-	-	375,000	21,000
Total	<u>\$ 1,343,185</u>	<u>\$ -</u>	<u>\$ (13,656)</u>	<u>\$ 1,329,529</u>	<u>\$ 33,274</u>

St. Helena Parish Waterworks District No. 2
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Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

Bonds Payable at December 31, 2005 and 2004 comprise the following issues:

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Water System Revenue Bonds - RUS Bonds 91-03: \$198,000 revenue bonds sold to Rural Utility Service, dated 09/12/88, due in installments of \$13,867.92 through 01/26/28; interest at 6.375%	\$ 164,673	\$167,621
Water System Revenue Bonds - RUS Bonds 91-05: \$360,000 revenue bonds sold to Rural Utility Service, dated 5/26/94, due in annual installments of \$21,344.00 through 01/26/34; interest at 5.0%	322,781	327,397
Water System Revenue Bonds - RUS Bonds 91-07: \$200,000 revenue bonds sold to Rural Utility Service, dated 08/26/99, due in monthly installments of \$940.00 through 08/26/39; interest at 4.75%	189,229	191,462
Water System Revenue Bonds - RUS Bonds 91-09: \$278,000 revenue bonds sold to Rural Utility Service, dated 07/17/00, due in monthly installments of \$1,262.12 through 07/26/40; interest at 4.5%	264,901	268,049
Water Revenue Refunding Bonds, Series 2001: \$416,000 revenue refunding bonds sold to Iberia Bank, dated 11/20/01, interest at 5.2% payable January 26 and July 26 of each year, commencing January 26, 2002, with principal being payable annually on January 26 of the years 2002 through 2017	354,000	375,000
Total Bonds Payable	<u>\$ 1,295,584</u>	<u>\$1,329,529</u>

St. Helena Parish Waterworks District No. 2
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Notes to the Financial Statements
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The annual requirements to amortize all debt outstanding as of December 31, 2005, including interest payments of \$1,021,467 are as follows.

Year Ending December 31,	1987 Water Revenue Bonds \$198,000	1994 Water Revenue Bonds \$360,000	1999 Water Revenue Bonds \$200,000	2000 Water Revenue Bonds \$278,000	2001 Refunding Bonds \$416,000	Total
2006	\$ 13,868	\$ 21,344	\$ 11,280	\$ 15,145	\$ 39,836	\$ 101,473
2007	13,868	21,344	11,280	15,145	39,666	101,303
2008	13,868	21,344	11,280	15,145	39,444	101,081
2009	13,868	21,344	11,280	15,145	40,144	101,781
2010	13,868	21,344	11,280	15,145	39,766	101,403
2011-2015	69,340	106,720	56,400	75,727	197,794	505,981
2016-2020	69,340	106,720	56,400	75,727	78,926	387,113
2021-2025	69,340	106,720	56,400	75,727	-	308,187
2026-2030	41,604	106,720	56,400	75,727	-	280,451
2031-2035	-	85,376	56,400	75,727	-	217,503
2036-2040	-	-	41,360	69,415	-	110,775
Totals	<u>\$ 318,964</u>	<u>\$ 618,976</u>	<u>\$ 379,760</u>	<u>\$ 523,775</u>	<u>\$ 475,576</u>	<u>\$ 2,317,051</u>

St. Helena Parish Waterworks District No. 2
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Notes to the Financial Statements
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The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$1,089,115 are as follows:

Year Ending December 31,	1987 Water Revenue Bonds \$198,000	1994 Water Revenue Bonds \$360,000	1999 Water Revenue Bonds \$200,000	2000 Water Revenue Bonds \$278,000	2001 Refunding Bonds \$416,000	Total
2005	\$ 13,868	\$ 21,344	\$ 11,280	\$ 15,145	\$ 39,954	\$ 101,591
2006	13,868	21,344	11,280	15,145	39,836	101,473
2007	13,868	21,344	11,280	15,145	39,666	101,303
2008	13,868	21,344	11,280	15,145	39,444	101,081
2009	13,868	21,344	11,280	15,145	40,144	101,781
2010-2014	69,340	106,720	56,400	75,727	197,750	505,937
2015-2019	69,340	106,720	56,400	75,727	118,736	426,923
2020-2024	69,340	106,720	56,400	75,727	-	308,187
2025-2029	55,472	106,720	56,400	75,727	-	294,319
2030-2034	-	106,720	56,400	75,727	-	238,847
2035-2039	-	-	52,640	75,727	-	128,367
2040	-	-	-	\$ 8,835	-	\$ 8,835
Totals	<u>\$ 332,832</u>	<u>\$ 640,320</u>	<u>\$ 391,040</u>	<u>\$ 538,922</u>	<u>\$ 515,530</u>	<u>\$ 2,418,644</u>

St. Helena Parish Waterworks District No. 2
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Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

7. Flow of Funds, Restrictions on Use

Specific legal requirements for reserve accounts are as follows:

- a) There shall be established a "Water System Revenue Bond and Sinking Fund" - sufficient in amount to pay the principal and interest on outstanding revenue bonds as they become due and payable. Payments are to be made from the Operating Fund (Revenue Fund) of the District, to the "Revenue Sinking Fund" by the 20th of each month, in an amount equal to 1/12 of the interest and principal falling due on the next bond payment date. Monies in the "Revenue Sinking Fund" are deposited as Trust Funds, and are exclusively pledged for the purpose of paying principal and interest on the Revenue Bonds.

The District made all of the required deposits for the RUS Bonds and for the 2001 Water Revenue Refunding Bonds, issued in parity with the RUS bonds, maintaining a total of \$238,056 at December 31, 2005.

- b) Bond reserve deposit requirements are as modified by the RUS letter of conditions dated February 10, 2000, and by bond reserve requirements of the 2001 Water Revenue Refunding Bonds.

There shall be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent (5%) of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest succeeding annual debt service payment in any future year. The actual required deposit for any given year is calculated by multiplying the annual debt service requirement times 5%, with the total deposit requirement being \$102,537.76 through year 2015 and reducing to \$15,145.44 for year 2039 per the "Combined Monthly Payment Schedule" for all revenue bonds of the District. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.

Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month on February 20, 2002.

The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 2005 with a balance maintained of \$109,541 at December 31, 2005, as compared to a balance of \$102,191 at December 31, 2004.

- c) Funds are also to be deposited into a "Depreciation and Contingency Fund," under the terms of the RUS Bond issues and the 2001 Water Revenue Refunding Bonds. Funds in the Depreciation and Contingency Fund are to be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System by transferring from the Water Revenue Fund to the regularly designated fiscal agent bank of the Issuer (or such other bank designated by the Issuer with the approval of the Government), monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent (5%) of the amount to be paid monthly into the Sinking Fund. Upon the Reserve Fund being funded to the Reserve Fund Requirement, the monthly deposit into the Contingency Fund will increase to an amount equal to ten percent (10%) of the amount paid monthly into the Sinking Fund with respect to the Bonds, all as required by the Government, which monthly payments will be in addition to those required to be made into the Contingency Fund by the Parity Bond Resolutions. Moneys in the Contingency Fund shall also be used to pay the principal of and interest on any bond for the payment of which there is not sufficient money in the

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above set out.

Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month beginning February 20, 2002.

The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 2005. The balance in the "Depreciation and Contingency Fund" at December 31, 2005 was \$85,649, as compared to \$80,129 at December 31, 2004.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose. Deposits for the "Utility System Revenue Bond Reserve Fund" and deposits for the "Depreciation and Contingency Fund" are maintained in the same checking account and a certificate of deposit, however, the balances are accounted for separately in the financial statements.

8. Restricted and Designated Net Assets

At December 31, 2005, St. Helena Parish Waterworks District No. 2 recorded \$380,933 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

In addition, for the fiscal year ending December 31, 2005, the Board of Commissioners of the District designated a total of \$79,106 as cash reserved for future capital improvement projects. Since this designation represents an internally imposed restriction, the amount designated for capital improvements is included within the category of Unrestricted Net Assets, totaling \$193,028 at December 31, 2005.

9. Prior Period Adjustment

A prior period adjustment was made to correct the 2005 beginning Net Assets. The adjustment recorded an expense for supplies for the prior fiscal years. The correction to the beginning Net Asset balance is as follows:

<u>Description</u>	<u>Amount</u>
Beginning Net Assets, Before Prior Period Adjustment	\$ 2,433,976
Prior Period Adjustments:	
- Record Adjustment for Assets Deleted, Below \$500 Threshold	(799)
Beginning Net Assets, After Prior Period Adjustment	<u>\$ 2,433,177</u>

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Notes to the Financial Statements
As of and for the Years Ended December 31, 2005 and 2004

10. Water System Management

For the major part of the fiscal year, the water system, under the direction of the board of commissioners of St. Helena Parish Waterworks District No.2, was operated under a contract with an outside party. The contract manager received customer service calls, collected payments from customers, and performed routine maintenance work for the District. On December 1, 2005, the contract manager became an employee of the District and now manages the District, under the direction and supervision of the board of commissioners.

11. Subsequent Events

At fiscal year-end, the District had awarded a contract for the construction of a new office building. Total construction costs are estimated at \$177,003, with construction beginning in January 2006.

Supplemental Information Schedules

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Schedule 1

Budgetary Comparison Schedule
Year Ended December 31, 2005
(With Comparative Amounts for the Fiscal Year Ended December 31, 2004)

	2005 Budget	2005 Actual	Variance- Favorable (Unfavorable)	2004 Actual
Operating Revenues				
Water Sales	\$ 280,824	\$ 290,562	\$ 9,738	\$ 275,749
Connection Fees	18,789	20,112	1,323	19,333
DHH Fees	403	404	1	393
Late Charges	10,083	10,052	(31)	9,918
Interest Income	14,879	14,751	(128)	10,863
Contract Services	-	4,125	4,125	-
FEMA Revenue	5,476	5,476	-	-
Other	2,660	120	(2,540)	4,602
Total Operating Revenues	<u>333,114</u>	<u>345,602</u>	<u>12,488</u>	<u>320,858</u>
Operating Expenses				
Salaries	10,970	12,874	(1,904)	5,348
Payroll Taxes	987	1,131	(144)	545
Per Diem - Board Members	2,600	2,450	150	2,650
Accounting	15,535	11,916	3,619	16,773
Auditing	-	5,500	(5,500)	-
Advertising	1,815	1,714	101	1,337
Amortization of Bond Issue Costs	-	366	(366)	418
Bad Debts	2,500	449	2,051	2,586
Bank Charges	108	81	27	135
Billing Costs	9,200	8,599	601	8,487
Chemicals	6,436	7,571	(1,135)	5,128
Contract Management & Operations	90,000	87,446	2,554	78,860
Depreciation	121,000	116,293	4,707	119,661
Diesel Fuel	2,000	1,536	464	331
Dues	150	200	(50)	400
Insurance	7,392	6,975	417	7,308
Line Relocation	-	-	-	2,521
Meter Installations	9,221	9,758	(537)	6,717
Miscellaneous	1,179	948	231	-
Office Supplies & Expense	1,345	2,106	(761)	1,608
Postage	3,117	3,442	(325)	3,897
Repairs and Maintenance	12,521	9,840	2,681	12,527
Supplies - Water System	7,000	10,201	(3,201)	9,022
Travel	-	293	(293)	67

(Continued)

See accountant's report.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Schedule 1

Budgetary Comparison Schedule
Year Ended December 31, 2005
(With Comparative Amounts for the Fiscal Year Ended December 31, 2004)

	2005 Budget	2005 Actual	Variance- Favorable (Unfavorable)	2004 Actual
Telephone	\$ 1,667	\$ 2,148	\$ (481)	\$ 1,950
Testing Water	-	-	-	640
Utilities	19,735	21,311	(1,576)	18,154
Vehicle Expense	2,000	2,539	(539)	1,277
Total Operating Expense	<u>328,478</u>	<u>327,687</u>	<u>791</u>	<u>308,347</u>
Operating Income	<u>4,636</u>	<u>17,915</u>	<u>13,279</u>	<u>12,511</u>
Nonoperating Revenues (Expenses)				
Miscellaneous Income	4,000	5,000	1,000	-
Recovery of Bad Debts	1,107	1,485	378	1,082
Interest Expense	(70,455)	(66,382)	4,073	(67,589)
Total Non-Operating Revenue (Expenses)	<u>(65,348)</u>	<u>(59,897)</u>	<u>5,451</u>	<u>(66,507)</u>
Income (Loss) Before Contributions	(60,712)	(41,982)	18,730	(53,996)
Capital Contributions	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Change in Net Assets	(60,712)	(37,982)	22,730	(53,996)
Net Assets, Beginning				
Before Prior Period Adjustment	2,433,976	2,433,976	-	2,487,972
Prior Period Adjustment (Note 9)	<u>-</u>	<u>(799)</u>	<u>(799)</u>	<u>-</u>
Net Assets, Beginning				
After Prior Period Adjustment	<u>2,433,976</u>	<u>2,433,177</u>	<u>(799)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 2,373,264</u>	<u>\$ 2,395,195</u>	<u>\$ 21,931</u>	<u>\$ 2,433,976</u>

(Concluded)
See accountant's report.

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana**

Schedule 2

**Schedule of Insurance Coverages
December 31, 2005**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-05	Employee Dishonesty - Blanket coverage of \$110,000	01/22/05	01/22/06
Travelers Property Casualty Insurance Company Policy # I-810-510H2160-TIA-05	Business Auto Coverage of \$1,000,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$1,000,000 Comprehensive and Collision of lesser of actual cash value or cost of repair	01/22/05	01/22/06
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-05	-Property coverage of \$22,014 for Building; \$4,372 for contents. 2503 Hillsdale Rd, Greensburg, LA -Property coverages of \$3,476 for pump station at Hwy 10, Greensburg, LA -Property coverages of \$115,863 for water tower at Hwy 10, Greensburg, LA -Property coverages of \$3,476 for pumping station at Hwy 38, Greensburg, LA -Property coverage of \$59,022 for tank at Hwy 38, Greensburg, LA -Property coverage of \$29,512 for generator building at Hwy 38, Greensburg, LA -Property coverage of \$157,590 for tanks, bins and silos at Hwy 38, Greensburg, LA	01/22/05	01/22/06
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-05	-Commercial General Liability Limits at \$1,000,000 Aggregate; \$1,000,000 per occurrence; personal and advertising injury and products liability coverage limits at \$1,000,000; \$100,000 fire damage limit	01/22/05	01/22/06

(Continued)
See accountant's report.

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana**

Schedule 2

**Schedule of Insurance Coverages
December 31, 2005**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
Travelers Casualty and Surety Company of America Policy # 104375879	Directors & Officers Liability limits at \$1,000,000 and deductible of \$2,500	09/02/05	09/02/06
Louisiana Workers' Compensation Policy # 17223-A	Workmen's Compensation at statutory limits, Employer's Liability at \$100,000	04/17/05	04/17/06

(Concluded)
See accountant's report.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Schedule 3

Schedule of Compensation Paid Board of Commissioners
As of and for the Year Ended December 31, 2005

<u>Board of Commissioners</u>	<u>Per Diem Payments</u>	<u>Term of Office</u>
Claude Sharkey, President 8178 Hwy. 441 Amite, Louisiana 70422 985-748-4847	\$ 600	07/26/03 - 07/26/08
James Ash, Vice-President 228 Red Bluff Ch. Rd. Greensburg, Louisiana 70441 225-222-6235	500	07/27/02 - 07/26/2008
Jim Hitchens, Secretary-Treasurer 6914 Hwy. 441 Amite, Louisiana 70422 985-748-7741	600	07/26/05 - 07/26/2010
Evelyn Jones 16375 Hwy 441 Kentwood, Louisiana 70444 225-222-6826	300	07/27/01 - 07/26/2007
Huey Davis 4520 Hwy 441 Amite, Louisiana 70422 985-748-6154	450	07/26/04 - 07/26/2010
	<u>\$ 2,450</u>	

See accountant's report.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena, Louisiana

Schedule 4

Schedule of Water Customers
December 31, 2005

As of December 31, 2005, the water district had the following number of customers.

Water-Residential	1,243
Commercial/Dairy	<u>45</u>
Total Customers	<u><u>1,288</u></u>

Number customers having a meter size larger than the residential size (3/4")	<u><u>27</u></u>
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Schedule of Water Rates
December 31, 2005

<u>Usage</u>	<u>Monthly Charge</u>
Residential:	
First 2,000 gallons	\$ 9.00
Next 4,000 gallons	2.50 per 1,000 gallons
Next 4,000 gallons	1.50 per 1,000 gallons
Over 10,000 gallons	1.00 per 1,000 gallons
Commercial:	
First 10,000 gallons	\$25.00
All over 10,000 gallons	.80 per 1,000 gallons
Dairy:	
First 20,000 gallons	\$25.00
All over 20,000 gallons	.80 per 1,000 gallons

See accountant's report.

Other Independent Auditor's Reports and Schedule of Findings and Questioned Cost

Report on Internal Control Over Financial
Reporting and on Compliance and Other
Matters Based on An audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

**ANTHONY B BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155 or (985) 542-4186

June 19, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana 70441

I have audited the financial statements of the business-type activities of the St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, as of and for the year ended December 31, 2005, which comprise the District's basic financial statements and have issued my report thereon dated June 19, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(continued)

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and the Rural Utilities Service office. Under Louisiana Revised Statute 24:515, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read 'Anthony B. Baglio'.

Anthony B. Baglio, CPA
Hammond, Louisiana

Corrective Action Plan

**St. Helena Waterworks District No. 2
Parish of St. Helena, Louisiana**

Schedule 5

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 2005**

Section I - Internal Control and Compliance Material to the Financial Statements

No Findings for Section I

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

Section III - Management Letter

FINDING ML 04-01

Fund not being deposited by the 20th of the month in the Water System Revenue Bond and Sinking Fund and Depreciation and Contingency Fund.

Corrective Action

Funds now are being deposited by the 20th of the month.

FINDING ML 04-02

The St. Helena Waterworks District No. 2 had \$23,957 of unsecured deposits at year end.

Corrective Action:

Deposits are now secured.

**St. Helena Waterworks District No. 2
Parish of St. Helena, Louisiana**

Schedule 6

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2005**

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No Findings for Section I

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

Section III - Management Letter

No Findings for Section III.